



## **FEDERAL RESERVE SYSTEM**

### **Proposed Agency Information Collection Activities; Comment Request**

**AGENCY:** Board of Governors of the Federal Reserve System.

**ACTION:** Notice, request for comment.

**SUMMARY:** The Board of Governors of the Federal Reserve System (Board) invites comment on a proposal to extend for three years, with revision, the mandatory Capital Assessments and Stress Testing information collection applicable to bank holding companies (BHCs) with total consolidated assets of \$50 billion or more and U.S. intermediate holding companies (IHCs) established by foreign banking organizations.

On June 15, 1984, the Office of Management and Budget (OMB) delegated to the Board authority under the Paperwork Reduction Act (PRA) to approve of and assign OMB numbers to collection of information requests and requirements conducted or sponsored by the Board. In exercising this delegated authority, the Board is directed to take every reasonable step to solicit comment. In determining whether to approve a collection of information, the Board will consider all comments received from the public and other agencies.

**DATES:** Comments must be submitted on or before [INSERT DATE 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** You may submit comments, identified by *FR Y-14A/Q/M*, by any of the following methods:

- Agency Website: <http://www.federalreserve.gov>. Follow the instructions for submitting comments at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx>.
- Federal eRulemaking Portal: <http://www.regulations.gov>. Follow the instructions for

submitting comments.

- E-mail: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov). Include OMB number in the subject line of the message.
- FAX: (202) 452-3819 or (202) 452-3102.
- Mail: Ann E. Misback, Secretary, Board of Governors of the Federal Reserve System, 20<sup>th</sup> Street and Constitution Avenue, NW, Washington, DC 20551.

All public comments are available from the Board's website at <http://www.federalreserve.gov/apps/foia/proposedregs.aspx> as submitted, unless modified for technical reasons. Accordingly, your comments will not be edited to remove any identifying or contact information. Public comments may also be viewed electronically or in paper form in Room 3515, 1801 K Street (between 18<sup>th</sup> and 19<sup>th</sup> Streets NW) Washington, DC 20006 between 9:00 a.m. and 5:00 p.m. on weekdays.

Additionally, commenters may send a copy of their comments to the OMB Desk Officer, Shagufta Ahmed, Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235 725 17<sup>th</sup> Street, NW., Washington, DC 20503 or by fax to (202) 395-6974.

**FOR FURTHER INFORMATION CONTACT:** A copy of the PRA OMB submission, including the proposed reporting form and instructions, supporting statement, and other documentation will be placed into OMB's public docket files, once approved. These documents will also be made available on the Federal Reserve Board's public website at: <http://www.federalreserve.gov/apps/reportforms/review.aspx> or may be requested from the agency clearance officer, whose name appears below.

Federal Reserve Board Clearance Officer, Nuha Elmaghrabi, Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, DC 20551 (202) 452-3884. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, DC 20551.

**SUPPLEMENTARY INFORMATION:**

**Request for comment on information collection proposal**

The Board invites public comment on the following information collection, which is being reviewed under authority delegated by the OMB under the PRA. Comments are invited on the following:

- a. Whether the proposed collection of information is necessary for the proper performance of the Federal Reserve's functions; including whether the information has practical utility;
- b. The accuracy of the Federal Reserve's estimate of the burden of the proposed information collection, including the validity of the methodology and assumptions used;
- c. Ways to enhance the quality, utility, and clarity of the information to be collected;
- d. Ways to minimize the burden of information collection on respondents, including through the use of automated collection techniques or other forms of information technology; and
- e. Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

At the end of the comment period, the comments and recommendations received will be analyzed to determine the extent to which the Federal Reserve should modify the proposed revisions prior to giving final approval.

**Proposal to approve under OMB delegated authority the extension for three years, with revision, of the following report:**

*Report title:* Capital Assessments and Stress Testing.

*Agency form number:* FR Y-14A/Q/M.

*OMB control number:* 7100-0341.

*Effective Dates:* September 30, 2017, or December 31, 2017.

*Frequency:* Annually, semi-annually, quarterly, and monthly.

*Respondents:* The respondent panel consists of any top-tier bank holding company (BHC) or intermediate holding company (IHC) that has \$50 billion or more in total consolidated assets, as determined based on: (i) the average of the firm's total consolidated assets in the four most recent quarters as reported quarterly on the firm's Consolidated Financial Statements for Bank Holding Companies (FR Y-9C) (OMB No. 7100-0128); or (ii) the average of the firm's total consolidated assets in the most recent consecutive quarters as reported quarterly on the firm's FR Y-9Cs, if the firm has not filed an FR Y-9C for each of the most recent four quarters. Reporting is required as of the first day of the quarter immediately following the quarter in which it meets this asset threshold, unless otherwise directed by the Board.

*Estimated annual reporting hours:* FR Y-14A: Summary, 69,312 hours; Macro Scenario, 2,356 hours; Operational Risk, 684 hours; Regulatory Capital Instruments, 798 hours; Business Plan Changes, 608 hours; Adjusted capital plan submission, 500 hours. FR Y-

14Q: Retail, 2,280 hours; Securities, 1,976 hours; Pre-provision net revenue (PPNR), 108,072 hours; Wholesale, 22,952 hours; Trading, 84,744 hours; Regulatory Capital Transitions, 3,496 hours; Regulatory Capital Instruments, 8,208 hours; Operational risk, 7,600 hours; Mortgage Servicing Rights (MSR) Valuation, 1,288 hours; Supplemental, 608 hours; Retail Fair Value Option/Held for Sale (Retail FVO/HFS), 1,440 hours; Counterparty, 22,616 hours; and Balances, 2,432 hours. FR Y-14M: 1st lien mortgage, 222,912 hours; Home Equity, 185,760 hours; and Credit Card, 104,448 hours. FR Y-14 On-going automation revisions, 18,240 hours. FR Y-14 Attestation On-going audit and review, 33,280 hours.

*Estimated average hours per response:* FR Y-14A: Summary, 912 hours; Macro Scenario, 31 hours; Operational Risk, 18 hours; Regulatory Capital Instruments, 21 hours; Business Plan Changes, 16 hours; Adjusted capital plan submission, 100 hours. FR Y-14Q: Retail, 15 hours; Securities, 13 hours; PPNR, 711 hours; Wholesale, 151 hours; Trading, 1,926 hours; Regulatory Capital Transitions, 23 hours; Regulatory Capital Instruments, 54 hours; Operational risk, 50 hours; MSR Valuation, 23 hours; Supplemental, 4 hours; Retail FVO/HFS, 15 hours; Counterparty, 514 hours; and Balances, 16 hours. FR Y-14M: 1st Lien Mortgage, 516 hours; Home Equity, 516 hours; and Credit Card, 512 hours. FR Y-14 On-going automation revisions, 480 hours. FR Y-14 Attestation On-going audit and review, 2,560 hours.

*Number of respondents:* 38.

*Legal authorization and confidentiality:* The FR Y-14 series of reports are authorized by section 165 of the Dodd-Frank Act, which requires the Board to ensure that certain BHCs and nonbank financial companies supervised by the Board are subject to enhanced risk-

based and leverage standards in order to mitigate risks to the financial stability of the United States (12 U.S.C. 5365). Section 5(c) of the Bank Holding Company Act (BHCA) authorizes the Board to require bank holding companies and any subsidiary of such company to submit reports to the Board.<sup>1</sup> In addition, certain foreign banking organizations are treated as bank holding companies for purposes of the BHCA under section 8(a) of the International Banking Act (IBA).<sup>2</sup> Because section 5(c) of the BHCA permits the Board to require reports from subsidiaries of bank holding companies, including subsidiaries of foreign banking organizations that are treated as bank holding companies, section 5(c) authorizes the Board to require any such subsidiary of a foreign banking organization to report to the Board. Therefore, the Board is authorized under section 5(c) of the BHCA to require the FR Y-14 from each U.S. intermediate holding company (IHC) of a foreign banking organization that is a bank holding company and under sections 5(c) of the BHCA and section 8(a) of the IBA from each U.S. IHC that is a subsidiary of a foreign banking organization treated as a bank holding company.

As these data are collected as part of the supervisory process, they are subject to confidential treatment under exemption 8 of the Freedom of Information Act (FOIA) (5 U.S.C. 552(b)(8)). In addition, commercial and financial information contained in these information collections may be exempt from disclosure under exemption 4 of FOIA (5 U.S.C. 552(b)(4)), if disclosure would likely have the effect of (1) impairing the government's ability to obtain the necessary information in the future, or (2) causing

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<sup>1</sup> See 12 U.S.C. 1844(c).

<sup>2</sup> See 12 U.S.C. 3106(a).

substantial harm to the competitive position of the respondent. Such exemptions would be made on a case-by-case basis.

*Abstract:* The data collected through the FR Y-14A/Q/M reports provide the Board with the information and perspective needed to help ensure that large firms have strong, firm-wide risk measurement and management processes supporting their internal assessments of capital adequacy and that their capital resources are sufficient given their business focus, activities, and resulting risk exposures. The annual Comprehensive Capital Analysis and Review (CCAR) exercise complements other Board supervisory efforts aimed at enhancing the continued viability of large firms, including continuous monitoring of firms' planning and management of liquidity and funding resources and regular assessments of credit, market and operational risks, and associated risk management practices. Information gathered in this data collection is also used in the supervision and regulation of these financial institutions. To fully evaluate the data submissions, the Board may conduct follow-up discussions with, or request responses to follow up questions from, respondents.

The Capital Assessments and Stress Testing information collection consists of the FR Y-14A, Q, and M reports. The semi-annual FR Y-14A collects quantitative projections of balance sheet, income, losses, and capital across a range of macroeconomic scenarios and qualitative information on methodologies used to develop internal projections of capital across scenarios.<sup>3</sup> The quarterly FR Y-14Q collects granular data on various asset classes, including loans, securities, and trading assets, and pre-provision

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<sup>3</sup> BHCs that must re-submit their capital plan generally also must provide a revised FR Y-14A in connection with their resubmission.

net revenue (PPNR) for the reporting period. The monthly FR Y-14M comprises three retail portfolio and loan-level collections, and one detailed address matching collection to supplement two of the portfolio and loan-level collections.

*Current Actions:* The Board proposes (1) revising and extending for three years the Capital Assessments and Stress Testing information collection (FR Y-14A/Q/M; OMB No. 7100-0341); (2) modifying the scope of the global market shock component of the Board's stress tests (global market shock) in a manner that would include certain U.S. intermediate holding companies (IHCs) of foreign banking organizations (FBOs); and (3) making other changes to the FR Y-14 reports.

The Board's enhanced prudential standards rule requires certain large FBOs to establish U.S. IHCs, which are subject to the same capital and stress testing standards that apply to domestic bank holding companies.<sup>4</sup> All U.S. IHCs formed in 2016 with total consolidated assets over \$50 billion will become subject to supervisory stress tests in 2018. Even though several of these U.S. IHCs have significant trading and counterparty exposures, none of them would be subject to the global market shock in 2018 under the current standard.

Specifically, the draft initial notice would amend the FR Y-14 to apply the global market shock to any domestic bank holding company or U.S. IHC that is subject to supervisory stress tests and that (1) has aggregate trading assets and liabilities of \$50 billion or more, or aggregate trading assets and liabilities equal to 10 percent or more of total consolidated assets, and (2) is not a "large and noncomplex firm" under the

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<sup>4</sup> 12 CFR 252.153 (79 Fed. Reg. 17240 (March 27, 2014)).



Board's capital plan rule.<sup>5</sup> As a result of the proposed change, five U.S. IHCs are expected to become subject to the global market shock, and the six domestic bank holding companies that meet the current materiality threshold would remain subject to the exercise under the new threshold.<sup>6</sup> The annual reporting burden associated with the addition of the five U.S. IHCs to the global market shock is estimated at 9,736 hours per firm for a total increase of approximately 48,800 hours.

The proposed revisions to the FR Y-14M consist of adding two items related to subsidiary identification and balance amounts, which facilitate use of these data by the Office of the Comptroller of the Currency (OCC). The addition of these items would also result in the removal of an existing item that identifies loans where the reported balance is the cycle-ending balance.

A limited number of other changes to the FR Y-14 are proposed. In connection with these proposed changes, two schedules on the FR Y-14A would be removed from the collection. The proposed revisions to the FR Y-14 would be effective with the reports as of September 30, 2017, except for certain revisions to the FR Y-14A reports, for which the first collection would be the December 31, 2017, as of date, as noted in the detailed schedule sections below.

The total current annual burden for the FR Y-14A/Q/M is estimated to be 858,138 hours and, with the changes proposed in this memorandum, is estimated to increase by

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<sup>5</sup> A large and noncomplex firm is defined under the capital plan rule as a firm that has average total consolidated assets of at least \$50 billion but less than \$250 billion, has average total nonbank assets of less than \$75 billion, and is not identified as global systemically important bank holding company (GSIB) under the Board's rules. 12 CFR 225.8(d)(9).

<sup>6</sup> The firms are Credit Suisse Holdings (USA), Inc., Barclays US LLC, DB USA Corporation, HSBC North America Holdings Inc., and UBS Americas Holdings LLC.

48,472 hours for 906,610 aggregate burden hours. The proposed modifications to the scope of the global market shock are estimated to increase the annual reporting burden by approximately 48,800 hours in the aggregate. All of the increase in burden due to the modification of the global market shock is attributable to the five U.S. IHCs that would become subject to the global market shock submitting the FR Y-14 trading and counterparty schedules on a quarterly basis. None of the increased burden would fall on domestic bank holding companies that are subject to the global market shock.

The addition of items to the FR Y-14M represents 1,200 total additional burden hours. Excluding the proposed modifications to the global market shock and modification to the FR Y-14M reports, the further changes would result in an overall net decrease of 1,408 reporting hours.

These data are, or would be, used to assess the capital adequacy of BHCs and U.S. IHCs using forward-looking projections of revenue and losses to support supervisory stress test models and continuous monitoring efforts, as well as to inform the Board's operational decision-making as it continues to implement the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd Frank Act).

### **Proposed Revisions to the FR Y-14A/Q/M**

#### **Proposed Global Market Shock Modifications**

The U.S. operations of FBOs became more complex, interconnected, and concentrated in the years leading up to the financial crisis. The financial crisis demonstrated that these large FBOs operating in the U.S. could pose a similar threat to financial stability as large U.S. financial companies. Prior to the crisis, U.S. branches and agencies of FBOs, traditional net recipients of funding, began receiving less funding from

their parent institutions and providing significant funding to non-U.S. affiliates. The vulnerabilities of foreign banks' U.S. operations became particularly apparent as FBOs became disproportionate users of Federal Reserve lending facilities during the financial crisis; many of these FBOs required extraordinary support from home- and host-country central banks and governments.

To mitigate certain weaknesses in the existing framework for supervising and regulating these organizations revealed during the crisis, and to recognize the important role that FBOs play in the U.S. financial system, the Board issued a rule imposing enhanced prudential standards on large FBOs and capital standards on U.S. bank holding company subsidiaries of FBOs (enhanced prudential standards rule).<sup>7</sup> The rule aimed to strengthen the capital and liquidity positions of the U.S. operations of FBOs and promote a level playing field among all banking firms operating in the U.S. by requiring FBOs with U.S. non-branch assets of \$50 billion or more to establish a U.S. IHC. Under the rule, U.S. IHCs are subject to the same risk-based capital and leverage requirements applicable to domestic bank holding companies and to many of the same enhanced prudential standards, including capital planning and stress testing requirements.

The enhanced prudential standards rule included the following transition periods:

- January 1, 2015: FBOs with U.S. non-branch assets of \$50 billion or more as of June 30, 2014, were required to submit an implementation plan to the Board outlining the proposed process to come into compliance with the rule's requirements;

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<sup>7</sup> See 77 Fed. Reg. 6628 (December 28, 2012) and 79 Fed. Reg. 17240 (March 27, 2014).

- July 1, 2016: U.S. IHCs were required to be established and are subject to risk-based capital requirements;
- 2017 CCAR/DFAST cycle: Newly established IHCs are subject to the capital plan rule (but are not subject to full CCAR);
- January 1, 2018: U.S. IHCs are subject to leverage capital requirements; and
- 2018 CCAR/DFAST cycle: newly established IHCs are subject to CCAR and supervisory stress tests.

The FR Y-14 data are critical inputs to the CCAR exercise and supervisory stress tests. In 2016, the Board finalized the requirement for IHCs to file certain regulatory reports applicable to bank holding companies, including the FR Y-14 reports. However, because of their current asset size, no U.S. IHCs are required to submit trading and counterparty data on the FR Y-14 reports and not subject to the global market shock. The global market shock applies hypothetical asset price shocks to a firm's trading book, private equity positions, and counterparty exposures as of a point in time, resulting in instantaneous losses and a reduction in capital. Under the Board's stress test rules, the global market shock applies to firms with significant trading activity as specified in the FR Y-14 report.<sup>8</sup> The FR Y-14 currently provides that firms with \$500 billion or more in total consolidated assets have significant trading activity.

The materiality threshold for the global market shock is based on the trailing four-quarter average of total consolidated assets of the holding company. The current scope of applicability of \$500 billion or more in total consolidated assets was intended to capture domestic bank holding companies with significant trading businesses. As noted, the \$500

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<sup>8</sup> See 12 CFR 252.54(b)(2)(i).

billion threshold, however, does not capture any U.S. IHC. Applying the market shock to certain U.S. IHCs would help the Board more accurately identify the firms' risks and capital needs. In addition, applying the market shock to these IHCs would result in a more comparable treatment to large domestic bank holding companies with similar exposures and business models.

The proposal would modify the FR Y-14 reporting thresholds for the FR Y-14Q, Schedule F (Trading) and Schedule L (Counterparty), and FR Y-14A, Schedule A.4 (Summary - Trading) and Schedule A.5 (Summary – Counterparty Credit Risk), collections to apply the global market shock to firms based in part on the trading activities of a firm. (As noted, under the proposal the global market shock would apply to any firm subject to supervisory stress tests that (1) has aggregate trading assets and liabilities of \$50 billion or more, or aggregate trading assets and liabilities equal to 10 percent or more of total consolidated assets, and (2) is not a large and noncomplex firm.) The IHCs that meet the proposed materiality threshold would be:

- Required to submit data surrounding trading and counterparty exposures on the FR Y-14A/Q reports (FR Y-14A Schedules A.4 and A.5, (Trading and Counterparty, respectively); FR Y-14Q Schedules F and L (Trading and Counterparty, respectively)) effective with the reports as of September 30, 2017; and
- Subject to the global market shock exercise beginning with the 2018 CCAR/DFAST exercise.

Collecting the FR Y-14 data beginning with the reports as of September 30, 2017, would provide the firms with one quarter before the 2018 CCAR/DFAST exercise to

identify any questions regarding intended reporting or submission requirements and receive clarifying responses, and would also give the Board an initial view of data quality and the opportunity to request remediation of issues in advance of the use of these data as part of the global market shock.

The revised scope of application for the global market shock is more closely tailored to the market risk of firms. The proposed definition of total trading activity is similar to the applicability criteria in the Board’s market risk rule, which applies to any BHC with aggregate trading assets and trading liabilities of either (1) 10 percent or more of total assets, or (2) \$1 billion or more.<sup>9</sup> Large and noncomplex firms would continue to be excluded from the global market shock.<sup>10</sup> This is consistent with the goal to reduce the compliance burden for the smaller and less complex firms that participate in CCAR.

A threshold based on aggregate trading assets and liabilities of 10 percent of total assets would capture cases where market risk is a key risk for a firm on a relative basis. As of December 31, 2016, the firms subject to the capital plan rule on average had a ratio of tier 1 capital to total assets of 8.9 percent. Thus, 10 percent of the total assets of these firms on average represents more than 100 percent of their tier 1 capital. A 10 percent threshold would also align with one of the two thresholds used to identify firms that are

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<sup>9</sup> See 12 CFR 217.201(b).

<sup>10</sup> “Large and noncomplex firms” is defined by the capital plan rule and would align with recently finalized modifications to the capital plan rule. See 12 CFR 225.8(d)(9) as described in 82 Fed. Reg. 9308 (February 3, 2017).

subject to the Board's market risk rule, which requires firms to have risk management processes in place to address their market risk.<sup>11</sup>

The separate \$50 billion trading activity threshold would capture cases where a firm has total trading assets and liabilities that are significant on an absolute basis but less than 10 percent of the firm's total assets. Adopting the \$50 billion threshold, as an alternative to the current \$500 billion total assets threshold, would better capture the market risk of the largest firms that participate in CCAR. Notably, the four largest BHCs that do not currently participate in the global market shock on average have total assets of \$378 billion as of December 31, 2016, but have trading activity of significantly less than \$50 billion (as of December 31, 2016, \$9.45 billion on average). As of December 31, 2016, the only firm that would be subject to the global market shock based solely on the proposed \$50 billion asset threshold is a BHC that currently is subject to the global market shock under the current \$500 billion total assets threshold.

#### ***Proposed Revisions to the FR Y-14A & FRY-14Q***

The proposed revisions to the FR Y-14A and FR Y-14Q consist of modifying reported items and instructions by clarifying the intended reporting of existing items, and seek to further align reported items with methodology, standards, and treatment on other regulatory reports or within the FR Y-14 schedules. In this regard, the Board is proposing updates to certain FR Y-14Q instructions and changes to the reporting structure and requirements of existing items. In addition, the Board proposes eliminating two schedules from the FR Y-14A, to reduce burden on the reporting institutions. The

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<sup>11</sup> Notably, the proposed relative materiality threshold is much higher than the materiality criteria for other Y-14 schedules because the proposed 10 percent threshold is defined in terms of total assets rather than tier 1 capital.

proposal would also result in the addition of a new sub-schedule to supplement the existing collection of business plan change information and would be consistent with the structure of data reported elsewhere on the FR Y-14A. The proposed changes to the FR Y-14Q outlined below would be effective September 30, 2017, while the proposed changes to the FR Y-14A would be effective with submissions for December 31, 2017.

**FR Y-14A, Schedule A (Summary)**

*Schedule A.3 (AFS/HTM Securities)* The Board proposes modifying the instructions for sub-schedules A.3.a and A.3.c to clarify the reporting of “Credit Loss portion” and “Non-Credit Loss Portion” information. To eliminate contradictory treatment in reporting these items, the instructions for Schedule A.3.a (Projected OTTI for AFS Securities and HTM by Security) and A.3c (Projected OTTI for AFS and HTM Securities by Portfolio) would be modified to specifically reference which item firms should report losses on.

In addition, the text describing the reporting of positions on the FR Y-14A, Schedule A.3.c., will be removed from the report form and incorporated into the instructions for this sub-schedule.

*Schedule A.5 (Counterparty)* The Board proposes adding an item to capture the FVA for an exposure to a counterparty separately from credit valuation adjustment (CVA). Some respondents have been including FVA in their reported CVA loss estimates. The addition of this item would clarify the appropriate reporting of both FVA and CVA, and enable the Board to more accurately model losses associated with counterparty risk.

**FR Y-14A, Schedule D (Regulatory Capital Transitions)**



The Board proposes eliminating FR Y-14A, Schedule D (Regulatory Capital Transitions) from the information collection. This schedule collected a five-year projection reflecting fully phased-in revised regulatory capital rules. With the CCAR 2018 collection (FR Y-14 reports as-of December 31, 2017), the majority of the five-year forecast projects data beyond the first quarter of 2019, the date as of which transition provisions will be fully phased-in, diminishing the value-added by collecting these projections.

**FR Y-14A, Schedule F (Business Plan Changes)**

*Schedule F.2 (Pro Forma Balance Sheet M&A)* The Board proposes the addition of a new BPC (FR Y-14A, Schedule F) sub-schedule, “Pro Forma Balance Sheet M&A,” to be submitted annually, beginning with the reports as of December 31, 2017, by any firm reporting a business plan change as defined on the existing Schedule F. The items on the sub-schedule would consist of items on Schedule A.1.b (Balance Sheet) of the FR Y-14A, Schedule A (Summary) and would complement the information already collected on the FR Y-14A, Schedule F (BPC). Currently, the post-acquisition fair value of the asset is collected on the existing FR Y-14A Schedule F, but no information on the pre-acquisition book value of the asset, purchase accounting adjustments, or fair value adjustments is collected.

The inclusion of the proposed “Pro Forma Balance Sheet M&A” sub-schedule would standardize the collection of pre-acquisition book value, purchase accounting adjustments, and fair value adjustments data, on a granular level, thereby allowing for improved validation of merger and acquisition accounting. While certain data regarding purchase accounting and fair value adjustments are available in the supporting

documentation submitted by respondents, the granularity, structure, and amount of information provided is inconsistent across firms. The Board expects that the incremental burden of this new sub-schedule should be minimal, given that the pro forma information that would be required is related to what a firm must submit in its application for regulatory approval and that the data items would be similar to those collected on the existing Balance Sheet sub-schedule. In addition, the standardized collection of this information on a new sub-schedule, which would only be completed in the case of a merger or acquisition, should limit ad hoc follow-up during the CCAR quarter.

With the addition of the aforementioned sub-schedule, the Board proposes that the existing BPC data collection be renamed to “Post Acquisition BPC” and become a sub-schedule (Schedule F.1) of the FR Y-14A, Schedule F.

#### **FR Y-14A, Schedule G (Retail Repurchase Exposures)**

As communicated on February 3, 2017, in a press release regarding “Enhancements to Federal Reserve Models Used to Estimate Post-Stress Capital Ratios” the Board notified firms of key enhancements to certain aspects of the Board’s models.<sup>12</sup> Specifically, in an effort to better align the operational risk and mortgage repurchase models, for DFAST 2017, the Board retired the mortgage repurchase model and used an enhanced operational risk model to capture losses. In accordance with the shift in modeling these losses, the Board proposes eliminating FR Y-14A, Schedule G (Retail Repurchase Exposures) from the information collection.

#### **Proposed Elimination of Extraordinary Items**

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<sup>12</sup> See “Enhancements to Federal Reserve Models Used to Estimate Post-Stress Capital Ratios.” (February 3, 2017), *available at*: <https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20170203a1.pdf>.

In January of 2015, an amendment (ASU No. 2015-01) to the FASB Accounting Standards Codification, Income Statement – Extraordinary and Unusual Items (FASB Subtopic 225-30), simplified the income statement presentation through the elimination of the concept of extraordinary items from generally accepted accounting principles. As a result, the Board proposes making changes consistent with this amendment to the FR Y-14A and FR Y-14Q reports. Specifically, references to the term “extraordinary items” would be eliminated from the FR Y-14A, Schedule A.1.a (Income Statement) and the FR Y-14Q, Schedule H (Wholesale) forms and instructions, and where appropriate, replaced with “discontinued operations.” This change would be effective September 30, 2017.

**FR Y-14Q, Schedule A (Retail)**

Effective with the FR Y-14 reports as of September 30, 2017, the Board proposes modifying the instructions for the FR Y-14Q, Schedule A.3 (Retail - International Credit Card) to include consumer credit and charge cards reported in FR Y-9C, Schedule HC-C, line item 6.d in addition to those included in Schedule HC-C, line item 6.a. The discrepancy in line item references relates to recently updated guidance regarding the reporting of charge cards on the FR Y-9C. These modifications would eliminate unintended differences in reporting that recently arose between the FR Y-14 and the FR Y-9C data series.

**FR Y-14Q, Schedule C (Regulatory Capital Instruments)**

The Board proposes minor changes to the FR Y-14Q, Schedule C (RCI) to clarify the reporting of certain information within the existing items on the schedule. The reporting of this information has been inconsistent across firms, and the modification of existing guidance in the instructions would seek to improve firms’ understanding of

where to report these data and information. Both changes would be effective with reports as of September 30, 2017.

First, the Board proposes enhancing the instructions for the “Comments” field in all three sub-schedules. Currently, the instructions for Columns K and AA, respectively, note only that firms should provide any supporting information, without any indication of what types of information are expected. The proposal would modify the instructions for the comments column to specify that firms should indicate within the comments how the amounts reported on these sub-schedules tie back to amounts approved in the firm’s capital plan.

Finally, the Board proposes adding three additional types of instruments to be reported in Column C (Instrument Type) on Schedules C.1, C.2, and C.3 to capture issuances of capital instruments related to employee stock compensation (e.g., de novo common stock or treasury stock), changes in a firm’s additional paid-in-capital (APIC) related to unvested employee stock compensation, and changes in an IHC’s APIC through the remission of capital to a foreign parent.

The first additional instrument type will be added to capture regulatory capital associated with employee stock compensation (Common Stock – Employee Stock Compensation) that is currently grouped under “Common Stock (CS)”. Additionally, two new instrument types will be added to capture changes in APIC associated with employee stock compensation (APIC – Employee Stock Compensation) and with remissions of capital to a foreign parent entity (APIC – Foreign Parent) of the respective IHC. These changes would provide for a more complete view of regulatory capital, clarify the type of instruments to be captured on this schedule, allow for more precise

reporting, and track the accrual of employee stock compensation. For U.S. IHCs, the changes would allow the Board to measure and monitor capital that a U.S. IHC remits to the foreign parent through mechanisms other than common stock dividends. The instructions also would be updated to indicate the expected reporting of these items.

#### **FR Y-14Q, Schedule F (Trading)**

For the September 30, 2017, submission, the Board proposes modifying the breakouts of vintage years on Schedule F.14 (Securitized Products) to be relative to the reporting date rather than in specified years. The report included the current breakouts of vintage years since the report's inception and, because they are static breakouts, they have since become outdated. This change would result in no structural changes to the reporting form.

#### **FR Y-14Q, Schedule H (Wholesale)**

The Board proposes several changes to the FR Y-14Q, Schedule H (Wholesale), as outlined below, all of which would be effective with the September 30, 2017, report date. These changes include the modification or clarification of certain item definitions and allowable values within those schedules.

Recent comments and questions provided by respondents via the FR Y-14 frequently asked questions process (FAQs) resulted in several suggestions to refine or modify the instructions for Schedules H.1 and H.2 (Corporate and CRE, respectively). Respondents indicated that the Disposition Flag and Credit Facility Type fields on the FR Y-14Q Schedules H.1 and H.2 do not provide reporting options to capture commitments to commit that expire. The Board agrees there is currently no way to report or identify commitments to commit within the current reporting structure. Therefore, in response to

this feedback, the Board proposes expanding the Disposition Flag (Schedule H.1, Corporate, Item 98, and Schedule H.2, CRE, item 61) and Credit Facility Type (Schedule H.1, Corporate, Item 20) to include an option for commitment to commit. These changes would allow respondents to report, and the Board to identify, commitments to commit.

Firms also noted there could be potential inconsistencies across respondents in the reporting of utilized exposures under the current instructions because the instructions do not explicitly state that Utilized Exposure/Outstanding Balance should be net of deferred fees and costs. To create consistency in reporting and to align with GAAP accounting standards, the Board proposes modifying the Utilized Exposure/Outstanding Balance (Schedule H.1, Corporate, item 25 and Schedule H.2, CRE, item 3) and Committed Exposure (Schedule H.1, Corporate, item 24 and Schedule H.2, CRE, item 5) items to explicitly state these items are net of deferred fees and costs. This change would enable the calculation of par as this field and fair value adjustment definitions would be aligned and be consistent with the FR Y-9C.

The Board has also identified two other areas of the instructions for Schedule H (Wholesale) that require modification to align with existing standards or to address gaps in reporting. First, the Board proposes updating the instructions for the ASC 310-30 item (Schedule H.1, Corporate, item 31 and Schedule H.2, CRE, item 47) to be consistent with purchase credit impaired (PCI) accounting standards and terminology. While the ASC 310-30 field already exists, the instructions, as currently written, are not clear, and the proposed changes should improve consistency of reporting and availability of information regarding PCIs with minimal additional burden.

Finally, the Board proposes modifying the Participation Flag field (Item 7) on Schedule H.2 (CRE) to be mandatory rather than optional. The Participation Flag indicates if a CRE loan is participated or syndicated among other financial institutions and if it is part of the Shared National Credit Program. Currently, the item Participation Interest (Item 59) on Schedule H.2 (CRE) is mandatory, but the Participation Flag is optional, which leads to gaps in reporting of information regarding these loans and an inability to match loans across institutions. Changing the Participation Flag field to mandatory would also align with the treatment of these items on the FR Y-14Q, Schedule H.1 (Corporate). Almost all reporting firms already choose to report the participation flag field. Therefore, the Board expects the information is readily available and the overall impact of this change should be minimal in terms of the information reported by most firms.

**FR Y-14Q, Schedule J (FVO/HFS)**

Effective with the FR Y-14 reports as of September 30, 2017, the Board proposes modifying the instructions for the FR Y-14Q, Schedule J, Table 1, item 7, Credit Card Loans (Not in Forward Contracts) by expanding the scope of the definition for this item. Currently, this line item includes the unpaid principal balance (column A) and carrying value (column B) for extensions of credit to individuals for household, family, and other personal expenditures arising from credit cards, as defined in the FR Y-9C, Schedule HC-C, item 6.a. Although small and medium enterprise (SME) and corporate cards are not broken out or separately defined on the FR Y-9C, they are broken out and separately defined across several schedules of the FR Y14 reports, creating a reporting gap. The proposed change would expand the scope of the FR Y-14Q, Schedule J, Table 1, item 7,

to include the unpaid principal balance and carrying value of SME and corporate cards, as defined in the FR Y-14Q, Schedule M.1 (Balances). To the extent that Schedule J, Table 2 references definitions associated with Table 1, the change in definition would apply to Table 2 as well.

In addition to these substantive changes to the instructions, the Board proposes incorporating clarifying changes to other line items in Schedule J to address typographical errors and eliminate some unnecessary language as outlined in the draft instructions associated with this proposal.

#### **FR Y-14Q, Schedule L (Counterparty)**

The Board proposes several changes to the FR Y-14Q, Schedule L (Counterparty) as outlined below. All of the changes would be effective with the September 30, 2017, report date. These modifications include changing the ranking methodology of information collected on certain sub-schedules, consolidating certain existing tables, and collecting new information. Although the collection of new information creates additional burden on respondents, the Board anticipates these changes would enhance supervisory modeling by allowing for the reporting of more detailed, consistent information and would facilitate a more effective collection of the counterparty exposures in XML since its transition in 2016.

Two changes would seek to simplify the ranking required for reporting positions and address questions and feedback received regarding ranking methodology. First, the ranking methodologies for Schedules L.5 (Counterparty – Securities transactions profile, top 25 counterparties) and L.6 (Counterparty – Derivatives profile, top 25 counterparties) would be modified to require the top 25 counterparties to be reported as ranked by gross



current exposure and net current exposure for the four quarterly unstressed submissions to simplify the ranking required. The ranking for the stressed/CCAR submission would remain unchanged. Second, the currently separate collections of counterparties as ranked by derivatives and securities financing transactions (SFTs), respectively, would be combined to be one collection of counterparties that would be reported according to all ranking methodologies to simplify the reporting structure. The schedules with asset category-level information, L.5.2 (Counterparty – SFT assets) and L.6.2 (Counterparty – Derivative assets), would remain in their current structure.

Consistent with the change proposed to the FR Y-14A, Schedule A.5 (Counterparty), additional or offline CVA reserves would be required to be reported according to five reserve type categories, notably FVA, on the FR Y-14Q, Schedule L.1e (Counterparty - Aggregate derivative data by ratings and collateral), similar to information previously collected on an ad hoc basis.

Finally, the proposal would require the reporting of notional amounts and weighted-average time to maturity for positions included on Schedules L.1 (Counterparty – Derivatives profile, by counterparty & aggregated across counterparties) and L.6 (Counterparty – Derivatives profile, top 25 counterparties). This information would support firm-provided unstressed and stressed reported exposure amounts.

#### **FR Y-14Q, Schedule M (Balances)**

In line with the changes to the FR Y-14Q, Schedule A.3 (Retail – International Credit Cards), the Board proposes modifying the instructions and the form for the FR Y-14Q, Schedule M (Balances). The proposal would update the FR Y-9C references in certain FR Y-14 items to align these items with the reporting of charge cards on the FR

Y-9C report, in line with recently updated guidance regarding the reporting of charge cards. Specifically, the instructions for Schedule M.1 (Quarter-end Balances), line item 3.b (Charge cards) will be modified to also include charge card loans to consumers included in FR Y-9C, Schedule HC-C, line item 6.d (Other consumer loans) (where 6.d replaces 9.b.(2) (All other loans)). Similarly, on the form for Schedule M.2 (FR Y-9C Reconciliation), line item 3.b under Charge cards will be modified to reflect charge card loans reported in FR Y-9C, Schedule HC-C, line 6.d instead of line 9.b.(2).

### **Proposed Revisions to the FR Y-14M**

The proposed revisions to the FR Y-14M consist of adding a line item to collect the RSSD ID (the unique identifier assigned to institutions by the Board) of any chartered national bank that is a subsidiary of the BHC and that is associated with a loan or portfolio reported, and add a line item to collect the month-ending balance for credit card borrowers. Both items would be effective for reports as of September 30, 2017. The actual burden associated with reporting the proposed items is expected to increase only minimally, as the OCC previously collected the two items from a limited number of firms and supplement the monthly retail schedules collected by the Board. The addition of the items would allow the firms to submit a single monthly data set that both the Board and OCC could use rather than requiring separate, potentially overlapping reporting. This approach, which was recommended by a commenter to a proposed OCC data collection, would be less burdensome than requiring firms to revert to submitting multiple collections.<sup>13</sup>

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<sup>13</sup> See 80 Fed. Reg. 35739.

### **Schedules A, B, D (First Lien, Home Equity, and Credit Card)**

For reports as of September 30, 2017, the Board proposes adding an item to collect the RSSD ID (the unique identifier assigned to institutions by the Board) of any chartered national bank that is a subsidiary of the BHC and that is associated with a loan or portfolio reported on the FR Y-14M schedules. This identifier would allow for clearer mapping of exposures and understanding the sources of risk. It would also allow for segmentation of loans and portfolios by each national bank charter if a holding company owns multiple national bank charters.

### **Schedule D (Credit Card)**

For the report as of September 30, 2017, the Board proposes breaking out the total outstanding balance reported on Schedule D (Credit Card) into two items: Cycle-Ending Balance (existing item 15) and Month-Ending Balance. Currently, the instructions request that firms report the total outstanding balance for the account at the end of the current month's cycle (i.e., Cycle-Ending Balance). The total balance outstanding on the account as of the month-end reporting date is reported only if cycle ending balance is not available. The Board anticipates both cycle-end and month-end balances are readily available and maintained by firms and these items had previously been part of the credit card-related collection of the OCC. Collection of these two distinct items would distinguish between types of borrowers with varying risk characteristics and allow for a more detailed evaluation of company-run stress test results. The addition of the month-ending balance item would replace the Cycle Ending Balance Flag (item 16), which would be eliminated.

Board of Governors of the Federal Reserve System, June 6, 2017.

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